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LETTER DATED 24 SEPTEMBER 1997 FROM THE PERMANENT REPRESENTATIVE OF CROATIA TO THE UNITED NATIONS ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

Upon instructions from my Government I have the honour to submit herewith a copy of the report dated 22 September 1997 on the implementation of the letter of intent of 13 January 1997 by the Government of the Republic of Croatia on the peaceful reintegration of the Croatian Danube region and the establishment of the constitutional and legal order of the Republic of Croatia in the areas of the counties of Osijek-Baranja and Vukovar-Sirmium currently under UNTAES administration, for consideration by the members of the Security Council. It is our hope that the report can be of assistance to the members in view of their upcoming deliberations in the Security Council concerning the completion of the mandate of the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES) in Croatia.

The report concludes that the international community, with the cooperation of the Government of Croatia, has made substantial gains in the reintegration of Eastern Slavonia into Croatia and that the devolution of authority from the United Nations in favour of the Government can continue as envisioned. The report also concludes that the Government will continue fulfilling its obligations and that it would not accept a further United Nations mandate in Eastern Slavonia after the UNTAES mandate expires on 15 January 1998.

The report includes relevant data and points out that the Government has expended enormous financial and human resources in the reintegration process. For instance, it has spent an estimated US$ 1.7 billion for the reconstruction and revitalization of Eastern Slavonia and other reintegrated territories. Of this amount, only 2 per cent came by the way of international assistance.

Croatia should like to recall in this regard that the Secretary-General and the Transitional Administrator have in the past emphasized the importance of economic recovery, and related international assistance, in the reintegration process. Unfortunately, the international community has hardly responded to these calls. In his last report to the Security Council (S/1997/487), the Secretary-General noted that the region of Eastern Slavonia alone needs "approximately $1.2 billion for demining and reconstruction". This amounts to more than 5 per cent of Croatia's gross domestic product (GDP). By way of

comparison, equivalent expenditure for the United States of America would amount to $400 billion.

It is extremely difficult for Croatia to satisfy this burden alone in view of its overall war damage, which is estimated at $13 billion in direct costs; the costs incurred for Bosnian-Herzegovene refugees, for the benefit also of the international community, that have reached $1.1 billion through the end of last year; and the funds already spent and planned to be spent in the future on reconstruction. The lack of funds for reintegration programmes is a major problem for the Government, and such a situation cannot be condoned by the international community.

The report also provides specific information on the difficulties and the results of the documents programme. The programme as such was completed on 31 August 1997 and resulted in 154,443 persons receiving a citizenship certificate (domovnica) in the region. This number exceeds the pre-war population of Serbs in the region (70,000), and the pre-UNTAES estimates of the region's population (120,000). This indicates that as many as 50,000 persons formerly affiliated with the rebels now displaced in the region have received documents. It further indicates that as many as 34,443 persons now living in other countries have received documents in the region as well. In our view, the success of the UNTAES mandate is best reflected by the documents programme. The results of the programme are also a true reflection of the Government's intentions and good will towards the former rebels who have now accepted the rights and duties arising from citizenship.

The report further specifies the progress that was achieved over the past few months in two-way returns. To this we should like to add the information provided by the United Nations Assistant High Commissioner for Refugees, Mr. Sergio Vieira de Mello, in Geneva on 9 September 1997. He told the Standing Committee of the Executive Committee of the Office of the United Nations High Commissioner for Refugees (UNHCR) that "[b]y the end of August, over 8,000 Croatian Serb displaced had returned to former Sectors North, South and West". The statement refers to the returns since the Government/UNTAES/ UNHCR agreement of 23 April 1997. Croatia is the only side in the region that has shown a positive flow of persons who took up arms against it into the territory it controls. This development deserves recognition.

In conclusion, the members of the Security Council should consider that the former rebels are reintegrating not only into the Croatian State, but also into the Serb community in Croatia. Not all Serbs in Croatia took up arms against the Government. At least one quarter of that community (150,000) supported the democratically elected Government; 9,000 served in the Croatian armed forces. The Government has problems with reintegrating one segment of one ethnic group, which took up arms against it, and does not have problems with its minorities as such problems are generally understood. Croatia is a multi-ethnic country, and all ethnic groups are represented fairly in its Government, commerce and public life. The reintegration of persons formerly affiliated with the rebels has had its difficulties, but it continues with substantial success.

May I ask for your kind assistance in circulating the text of the present letter and its annex as a document of the Security Council.

(Signed) Ivan ŠIMONOVIĆ
Ambassador
Permanent Representative

Annex

Report dated 22 September 1997 on the implementation of the letter of intent of 13 January 1997 by the Government of the Republic of Croatia on the peaceful reintegration of the Croatian Danube region and the establishment of the constitutional and legal order of the Republic of Croatia in the areas of the counties of Osijek-Baranja and Vukovar-Sirmium currently under UNTAES administration

The past period, especially the last three months, have been characterized by highly accelerated activities and the presence of Croatian administrative and economic institutions in the Croatian Danube region, aimed at the quickest possible, successful and effective peaceful reintegration of the said region into Croatia's overall legal and economic system. Results are obvious in all aspects, as shown in the following description of what has been achieved in particular fields.

I. REINTEGRATION OF THE LEGAL AND ECONOMIC SYSTEM

1. ESTABLISHMENT OF CENTRAL AND LOCAL GOVERNMENT AND SELF-GOVERNMENT BODIES

The part of the peaceful reintegration of the Croatian Danube region which is within the scope of the Ministry of Administration commenced with the organizing of the work county offices for the general administration of the Counties of Osijek-Baranja and Vukovar-Sirmium.

The first direct contacts with UNTAES representatives concerning the commencement of the said activities in the Croatian Danube region were established on 30 July 1996. As early as 20 August 1996 the Beli Manastir office began to operate, followed by the Vukovar and Batina offices in early September.

At frequent meetings with UNTAES representatives since September 1996 a question was raised regarding the takeover of vital statistics and other records held by the self-declared local authorities in order to deal with the rights of citizens to their identity documents. At that time UNTAES representatives were trying to convince us that it was impossible to hand over the records due to the lack of cooperation with the representatives of local authorities.

In October 1996 another office was opened for the issuance of personal documents. The impossibility to open more offices was caused by the absence of proper premises and lack of security needed for the normal work by our services. With the approaching elections we were trying to stress the need to make the registrar books available, along with the opening of more offices, and more so as the electoral registers had to be prepared.

As the citizens of the Croatian Danube region were initially coming in small numbers, it was expected that shortly before the elections an increased number of applications would follow which would affect the timely preparation of elections. To eliminate this problem, documents for the domiciled population were prepared beforehand according to the 1991 census, both the certificates

of citizenship and the identity cards, in the total number of 93,375 of each.

In December 1996 two more registrar offices were opened, followed by another 17 by the end of January 1997. Thus shortly before the election, 23 offices were operating on a permanent basis in the Croatian Danube region. At first (August-September) these offices were staffed by some twenty officers in each office. Since the end of 1996, until the elections, every day, even on Saturdays and Sundays, 100 additional officers were travelling to the offices from Osijek or Vinkovci, confronted with special problems, especially in terms of security (physical assaults, insults) and inadequate working conditions.

By the election day 163,065 applications were received; 130,835 certificates of citizenship, 25,606 birth certificates and other documents were issued, whereas 18,290 requested documents were not collected. The work on the issuance of Croatian documents continued after the elections to the effect that until the termination of the UNTAES-organized work of the offices (September 1997) a grand total of 198,159 excerpts from the registrar books and books of citizenship were issued, of which 154,443 were certificates of citizenship and 38,716 were birth certificates and other documents.

A special problem in the issuance of documents was posed by the time needed to obtain documents from other county offices for those citizens who settled in the Croatian Danube region after 1991. Namely, from other county offices 66,292 documents were obtained, with 27,779 certificates of citizenship and 21,634 birth certificates being issued. For these documents an additional effort was needed on the part of the Osijek and Vinkovci county offices, because requests to other responsible offices had to be forwarded and these documents had to be collected and distributed in the UNTAES-controlled area.

The issuance of personal documents was accompanied by the preparation of electoral registers, a task particularly difficult due to the lack of proper records and technical facilities needed to prepare the electoral registers in the Croatian Danube region. All this demanded added endeavors and the purchase of hardware needed for timely preparation of the electoral registers.

As the personal documents were issued to the citizens in the Croatian Danube Region without any administration fees, additional budget funds were spent in the amount of kuna 10,700,586. To this an amount, kuna 715,952 should be added, due to direct postage costs incurred by other county offices. This does not include the costs of preparing the electoral registers which were submitted as weekly reports to UNTAES, plus the rest of the reports filed on the issuance of Croatian documents.

Special costs, totalling kuna 194,708, were incurred in supplying the county offices with additional hardware, intended to timely prepare the electoral registers, especially as a result of prolonged deadlines for completion of the electoral registers. It is particularly important to mention other costs, such as the transportation of registrar officers from other offices to the Croatian Danube Region plus extra allowances due to them on account of special working conditions, totalling kuna 8,230,000 for the said period.

Therefore, the costs for the above described needs amountd to kn 19,841,246.

For the operation of the Government Transitional Administration Office for the establishment of the Croatian authority in the area of Eastern Slavonia, Baranja and Western Sirmium and for the UNTAES requirements a total of kuna 41,500,000 was spent.

Following the termination of UNTAES-organized operation of the offices and the commencement of a regular work by the Croatian registrar offices in the Croatian Danube region, there still remains the unsolved problem of the hand-over of registrar books by UNTAES, now that reasons no longer exist for the books not to be handed over. This point is important because, among other things, the registrar books constitute vital state statistics, concerning not only the population in the Croatian Danube region, but also of persons who were born, married and died over the past 100 years. A problem will arise in the implementation of the Law Adjustment Act, because it is only on the basis of the facts entered in these books that adequate implementation regulations can be passed for the enforcement of this Act.

The elections held in the Croatian Danube Region were followed by the organization of local self-government units. As part of their activities intended to enable these units to start operating, the representatives of the Ministry of Administration toured these units on many occasions, especially in the Osijek-Baranja county, and found that most municipalities had their bodies already installed, including their prefects, council chairmen and officers, and that only in Erdut no prefecture was formed. In the Tenja municipality the statute has not yet been passed nor the prefecture appointed, whereas in the municipalities of Šodolovci and Darda initial problems exist, but are expected to be overcome in the course of this week. In the Vukovar-Sirmium County all municipal and town councils have been constituted in due time. At their constituent sessions the newly constituted municipalities have passed transitional statutory decisions and the rules of procedure. Adjustment of the statute with the remarks made by the County Department for Local Self-government is under way. The said County Department has checked the legality of the statutes, so the passage of the statutes is under way in the municipalities which have made adjustments with the County's remarks. The statutes of the Borovo and Negoslavci municipalities have been submitted to the Ministry of Administration to check their legality.

The Croatian Government has taken two decisions re-employing officers for the work in government bodies: 89 officers for the county offices of the Vukovar-Sirmium County and 23 officers for the county offices of the Osijek-Baranja County.

2. MONEY FLOW

Home currency transactions were introduced in the areas of the Croatian Danube Region on 19 May 1997 and since then many Croatian banks have their branches and exchange offices there, so that money flow in the area is normal and trouble-free.

Conversion of YUM into Kuna was completed on 15 September 1997, involving 920 accounts in the total amount of kuna 615,430, whereby YUM transactions with FRY have been phased out.

Cash found with the ZAP (Money Transaction Institute) offices in the areas of the Croatian Danube Region totalled YUM 3,206,604, with the worn-out or damaged notes amounting to YUM 76,970.

3. REINTEGRATION OF INTERNAL AFFAIRS (POLICE)

Transitional police forces

The areas of the Croatian Danube Region are operationally divided into sectors "North" (Baranja - area of the Osijek-Baranja Police Administration) and "South" (area of the Vukovar-Sirmium Police Administration).

A Memorandum of Understanding was signed between the Ministry of the Interior and UNTAES according to which command of the Region has been taken over by a Croat, whereas the "North" is run by a Serb, with a seat at Beli Manastir and Osijek, and the "South" by a Croat, with a seat at Vukovar and Vinkovci. The administrators of "North" and "South" will finish their work with the end of the work of UNTAES. Furthermore, the commander will administer the police station, whether he is a Croat or a Serb, while the post of co-commander will be dispensed with.

In the 15 police stations and 2 police section offices - the national composition of the commanders and their assistants is proportional to the national structure according to the population census of 1991. Concerning the command segment, it was preliminarily agreed with the representatives of the local authorities that it would reflect the election results and the population census. In accordance with the letter of intent, the national structure of the members of the police force was agreed upon.

The Transitional Police Force was gradually filled with Croatian police officers resulting in the present situation where a total of 836 Croatian police officers are in the TPF. On 8 September 1997, the assistance which was provided by other police commands was discontinued.

On the date of 30 July 1997, the acceptance of Serbs from the TPF into the Croatian police was discontinued. The Ministry of Internal Affairs accepted a total of 982 new members, all of whom received life and health insurance.

In accordance with the organization of the Ministry of Internal Affairs the work of the police stations and section offices was organized including their administrative, financial and personnel sections.

For the 24 employees of the Serbian section of the TPF who were retired before 1990, the Retirement and Disability Insurance Office of the Republic of Croatia issued new decisions to that effect at their request. In the same manner, on the basis of the list which UNTAES provided for the members of the Serbian section of the TPF, 19 workers were retired after meeting the minimum requirements.

The Personnel Service brought about a decision granting a family pension to the wife of a deceased member of the Serbian section of the TPF who died in a traffic accident while a member of the TPF.

A Special Rapid Action unit was established following special training in Valbandon and stationed in Erdut. It contained a training center in which 14 members of the Serbian section of the TPF were included.

In Osijek, a river fleet consisting of 8 boats was set up, with a crew from the Ministry of Internal Affairs of the Republic of Croatia, in order to patrol the international river borders.

Starting 1 October 1997, Croatian legislation and regulations will be implemented over the entire region of the Croatian Danube region. All the police stations and section offices received all the legal regulations which will be implemented and registration forms and other written forms.

Assistance to the Transitional Police Force

The Ministry of Internal Affairs has to date financially assisted the Transitional Police Force in all the segments of its work, as well as for its equipment. This has amounted to a cost of 110,720,000 kuna, as follows:

-	Expenditures for labor	32,100,000
-	daily allowances	19,778,000
-	food	11,632,000
-	fuel	975,000
-	free money orders	19,600,000
-	uniform and equipment from stores	2,920,000
-	purchase of weapons	10,700,000
-	miscellaneous (repairs, accommodation, equipment, photographing, office materials, transportation, power supply, maintenance, etc.)	13,015,000

Specific information on to-date logistic support:

- 66 field cars - "Lada - Niva"
- 25 field cars - "Landrover"
- 4 vans
- 10 vessels - "Elan 18"
- 205 tires
- 564 liters of anti-freeze
- 1,000 uniforms made for TPF officers
- 597 pistols and 40,150 bullets
- 15 semi-automatic rifles

- 500 battery lamps
- complete riot prevention equipment for 150 men - helmets, shields, teargas, batons, handcuffs
- 300 m metal railings
- 5 rifles for chemicals
- 20 stun guns
- 1,332 pairs of shoes
- 3 containers for Lipovac police station
- 10 generating sets
- 26 fax units
- 55 manually operated radio transmitters
- 35 stationary FM stations
- 10 pagers
- 1 telephone exchange, BP 250
- 10 Panasonic units
- 60 telephone receivers
- 3 cellular phones
- 20 PCs with printers
- 16 photocopiers
- 38 electric heaters
- 94 desks
- 185 chairs
- 13 ordinary cabinets plus 80 metal wardrobes
- 5 safes
- provision of telephone installations
- 4 radio repetition channels installed
- refurbishment of police premises including complete furniture

Permanent arrangements are to be made to deal with all operational costs - accommodation, transportation, food, fuel, lubricants, spare parts for vehicles, firewood and coal, maintenance of buildings and equipment and other costs - necessary actions under way.

Administrative affairs

In the UNTAES administered area administrative operation began on 20 September 1996. By December 7 UNTAES offices were opened to render services in regulating citizenship issues, issuing personal identification cards and passports. In order to speed up the process of peaceful reintegration, that is to establish the constitutional and legal system of the Republic of Croatia in this area as soon as possible, the precondition to which were the local elections, it was necessary to speed up the procedure for issuing Croatian documents to citizens residing or staying in the UNTAES administered areas.

In order to speed up the realization of the Program for Issuing Croatian Documents to Citizens in the UNTAES Administered Area, the Ministry of the Interior, having received certificates of

citizenship from the Ministry of Administration, made personal identification cards for the resident population, that is, for citizens residing in this area since 1991, to be handed to citizens immediately after they apply for them (not identical to earlier number).

The above mentioned, as well as the Agreement between the Government of the Republic of Croatia and UNTAES signed on 31 January 1997, resulted in significant progress in the realization of the Program. The applications for issuing documents were submitted and documents issued at 26 offices. In accordance with the above mentioned Agreement the Ministry was to issue documents immediately or no later than 7 days after receiving an application.

The issuing of documents at 26 offices continued until the end of the elections, that is until 13 April 1997.

After the elections (13 April 1997) the realization of the Program continued at smaller number of offices: in the area of the Police Department Osijek-Baranja (6 offices: Beli Manastir, Draž, Kneževi Vinogradi, Dalj, Darda and Tenja), and in the area of Police Department Vukovar-Sirmium (4 offices: Vukovar, Ilok, Stari Jankovci and Markušica).

Buy-back of firearms

In October 1996 the Firearms Buy-Back Program was launched in the Croatia Danube region. The buy-back of firearms in this area was first conducted in four places: Grabovo and Klisa (PD Vukovar-Sirmium), and Topolik and Beli Manastir (PD Osijek-Baranja). In late March of the current year the buy-back started to be conducted by four mobile teams. The buy-back of firearms lasted until 19 August 1997 when the legal term of the buy-back of firearms throughout the Republic of Croatia expired.

In this time 9,860 firearms were collected, as well as 45,246 explosive arms, 2,325,378 rounds of ammunition and ignition devices, and 106.16 kg of explosives. For the arms bought back a total of 10,700,000 kuna were paid.

Heavy weapons taken away in the process of demilitarization was destroyed by UNTAES, as notified to the Ministry of the Interior by Transitional Administrator Klein.

Police stations

Since 1 September 1997 administrative affairs in the Croatian Danube region have been conducted in accordance with the Act on the internal organization of the Ministry, that is, at police stations, specifically:

- Beli Manastir and Dalj police stations (PD Osijek-Baranja)
- Vukovar and Ilok police stations (PD Vukovar-Srijem).

At the above mentioned police stations administrative affairs are conducted in regard of

citizenship, passports, personal identification cards, residence and stay of Croatian citizens, foreigners, vehicles, drivers, arms etc.

The closing of UNTAES offices is an important step forward toward the peaceful reintegration of the Croatian Danube region in the constitutional and legal system of the Republic of Croatia.

Number of employees

For conducting administrative affairs at the above mentioned four police stations sufficient number of personnel have been engaged. Together with the Croatians, Serbs employed as administrative clerks by the Ministry are being trained.

At the Osijek-Baranja and Vukovar-Srijem PDs there are no employees from other PDs helping out, but due to the increased workload, a number of employees have been employed part-time.

Technical issues and problems of technical nature

Arrival of a larger number of Serbs from FRY and RS has been recorded at the police stations, who used false documents in proving their identity and residence in the Croatian Danube region in order to obtain Croatian documents. Person with no documents at all came as well, from FRY or RS.

Such persons are referred to submit applications to diplomatic and consular missions of Croatia in the FRY and Bosnia and Herzegovina.

UNTAES continues to request clarifications from the Ministry via a hotline. To date a total of 1,917 clarification requests have been received, and 1,887 have been answered.

Number of applications received from 20 August 1996 to 15 September 1997

In the Croatian Danube region from 20 August 1996 to 15 September 1997, 56,044 applications for acquiring or establishing Croatian citizenship were received, as well as 130,538 applications for issuing personal identification cards, and 126,597 applications for issuing passports.

Processed: 55,688 applications for citizenship (99.4%), 130,000 applications for issuing personal documents (99.6%), and 126,206 applications for passports (99.7%).

Of the total of 130,000 issued personal identifications cards, 69,485 were issued to the population resident in the Croatian Danube region prior to 1991, and 60,515 were issued to persons who have residence in the Republic of Croatia outside of the Croatian Danube region.

4. REINTEGRATION OF THE JUDICIARY

In August 1997, the Minister of Justice initialled a text of the Declaration on the Establishment

of the Justice System in the Croatian Danube region, which was coordinated with the Transitional Administrator, General Klein.

In the negotiations with UNTAES to date, the following issues were resolved:

1. from 1 June 1997 Croatian legislation has been implemented in the Croatian Danube region, which means the implementation of the Constitution of the Republic of Croatia, laws, international agreements and other regulations in that field;

2. the Ministry of Justice has taken into its ranks 167 judicial officials and other employees who have to date received pay and other compensation for the period June-August 1997 in the amount of kn 1,685,351, and who will in the period of September-November 1997 be paid the amount of kn 1,800,000 which, for the period June-November 1997 amounts to a total of kn 3,485,351;

3. on 14 August 1997, the State Judicial Council named judges and state prosecutors for judicial bodies in the region of the Croatian Danube region, keeping account of the representation of the Serbian national minority, in accordance with the Letter of Intent of the Government of the Republic of Croatia;

4. the issue of the implementation of the Law on General Amnesty was resolved, in such a manner that courts and other competent bodies of the Republic of Croatia, within their scope of activity, consistently implement the mentioned Law. According to the heretofore compiled data, in the Croatian Danube region the Law on General Amnesty has affected more than 12,000 persons. The Ministry of Internal Affairs in cooperation with the competent courts and state prosecutors will not bring before the court persons for whom warrants of arrest were previously issued without making sure whether the general amnesty legislation applies to them;

5. the issue of the so-called "list of war criminals" in the Croatian Danube region has been resolved in such a manner that the Ministry of Justice has informed UNTAES in writing that there does not exist any "list of war criminals" in the Croatian Danube region. There is only a list of 25 persons against whom legal proceedings for criminal acts of war crimes committed in the Croatian Danube region have been concluded. These persons resided in this region at the time of the commission of these crimes. These proceedings were concluded by the County Court in Osijek. The persons in question, who were convicted in absentia, shall be enabled to, upon their own application, to have the proceedings recommenced;

6. the issue of the registration of lawyers in the Register of the Croatian Lawyers' Association was resolved at the meeting held in Vukovar on 16 September 1997 between the president of the Croatian Lawyers' Association and representatives of the Ministry of Justice, UNTAES and local judicial officials. It was agreed that the Croatian Lawyers' Association will consider each individual case of registration into the Register of lawyers and will determine to defer payment for two months. The registration fee will be paid in 10 monthly installments.

7. at the sitting of the Parliament of the Republic of Croatia on 19 September 1997, the Criminal Code of the Republic of Croatia was adopted which annulled all legal and other consequences whatsoever in regard to the persons against whom criminal proceedings were conducted and who were amnestied.

The remaining two disputed issues on which the signing of the Declaration on the Introduction of the Croatian Judiciary System in the Croatian Danube Region depended, were solved in a manner so that:

1. the representatives of the Government of the Republic of Croatia, the Croatian Parliament, and UNTAES, at their meeting on 22 September 1997, agree on the final draft of the Law Adjustment Act to be adopted at the current session of the Croatian Parliament;

2. the Minister of Justice send a letter to the Transitional Administrator Walker on 16 September 1997 committing the Ministry of Justice to create conditions by present and future appointments of judiciary officials to judiciary bodies in the Croatian Danube region for the judiciary officials and administrative personnel to make up 40% of the total number of appointed judiciary officials or administrative personnel, to which UNTAES agreed.

The Ministry of Justice is expecting a reply to the letter sent to Transitional Administrator Walker. As far as the Ministry of Justice is concerned the Declaration of the Introduction of the Judiciary System may be signed immediately, having been agreed with the Deputy Transitional Administrator Mr. Souren Seraydarian that on the date of signing the Declaration the Croatian judiciary bodies shall begin to work in the Croatian Danube region.

5. REINTEGRATION OF SCHOOLS

The signing of the Letter of Intent on 7 August completed the reintegration of schools in the Croatian Danube region, with the following effects:

1. education results in the school years from 1991/92 to 1996/97 recognized;

2. pupils exempt from taking differential exams;

3. all schools in the region receive neutral names;

4. existing schools remain in use until the school system at large is revised through consultations with individual ethnic and national communities and minorities;

5. ethnic and national communities or minorities are entitled to education in schools in their language and script, in accordance with law;

6. provisional curriculum for the members of the Serb national community agreed for school year 1997/98;

7. moratorium agreed for history teaching relating to the former Yugoslavia 1989-1997 over a period of five years;

8. position agreed that school principals shall be appointed equitably and impartially based on the demographic development starting with school year 1997/98;

9. bilingual (Latin and Cyrillic) signs put on schools;

10. for the reconstruction of 28 schools in the region a total of 23,849,447 kunas spent so far;

11. textbooks in the Serbian language and Cyrillic script translated, to be published by 20 October 1997, for which a total of 1,300,000 kunas will be spent.

On 8 September 1997 the school started at 32 primary and 2 secondary schools in the region, with a total of 11,413 pupils. Of 7,748 pupils in primary schools, 6,640 receive teaching in the Serbian language, 875 pupils receive teaching in the Croatian language, and 233 pupils in the Hungarian, Slovak and Ruthenian languages, respectively. Of the previous employees at schools in the Croatian Danube region 1,353 with the required qualifications were accepted to continue their employment.

6. REINTEGRATION OF HEALTH CARE AND HEALTHY INSURANCE

Significant progress has been recorded in the reintegration of health care so that:

1. emergency primary health care outpatient clinics in Vukovar opened;

2. all medical facilities in the Republic of Croatia accept and render medical services to all citizens of the Republic of Croatia currently residing in the Croatian Danube region;

3. inventory and recording of equipment, drugs, basic means and materials started;

4. the urgently needed medical equipment and drugs purchased, delivery underway;

5. salary advance payments made to all currently found employees at medical facilities;

6. health insurance provided to all in the Croatian Danube region regardless of their legal status;

7. all patients regardless of documents accepted for dialysis;

8. persons who were persecuted in 1991 were appointed heads and authorized to purchase drugs and medical equipment;

9. border sanitary inspection introduced at four border crossings to FRY (Batina, Ilok, Erdut,

Tovarnik);

10. all medical facilities visited and preparations for reconstruction begun.

To date, for the medical treatment of population from the Croatian Danube region, medical staff wages, drugs and equipment kn 30,000,000 have been spent. For 1998, a reconstruction budget amounting to kn 250,000,000 has been set up, with kn 140,000,000 earmarked for the health insurance of the whole population.

On 1 August 1997 health insurance was reintegrated into the national system and all employees (30 persons) kept their jobs.

The Ministry of Health has taken over the financing of health care for all registered inhabitants of the Croatian Danube region. Up to now 25,000 insurees have been registered in the Vukovar-Sirmium County and 25,000 in the Osijek-Baranja County.

The employment of 257 staff members of the Vukovar General Hospital and 99 staff members of the Beli Manastir Medical Center is in the process of being confirmed. Other staff members of these health institutions (297 persons) shall receive offers of temporary employment contracts (6 to 12 months), until their documents have been formally recognized or until they pass specialist examinations.

7. REINTEGRATION OF OLD-AGE PENSION AND DISABILITY INSURANCE AND SOCIAL WELFARE

The agreement on organizing regional services and branches of the Croatian Old-Age Pension and Disability Insurance Fund for Croatia's workers in the parts of Vukovar-Sirmium and Osijek-Baranja Counties under temporary UNTAES administration, signed on 29 May 1997, has laid down the relations related to obtaining benefits for old-age pension and disability insurance, organization of services and handing over of buildings and other property to this Fund (hereinafter: RFMIORH).

Old-Age Pension and Disability Insurance

On the basis of the above Agreement, the Croatian Government's Declaration of 16 December 1996 and the supplement of the Croatian Government's Declaration of 14 February 1997, the following has been done:

1. A joint working group has been established, consisting of three representatives of RFMIORH and UNTAES each, which held meetings about the implementation of the Agreement.

2. The Vukovar regional service has been established and integrated, together with the existing branches in Vinkovci and Županja, as well as a branch in Ilok.

A branch has been established in Beli Manastir and integrated into the Osijek regional service.

RFMIORH has provided rooms for the Vukovar regional service, located in Borovo Naselje in the buildings of the "Borovo d.d." enterprise, because the former facilities in Vukovar were completely.

The branch in Ilok is working in the building of the Ilok City Government and the branch in Beli Manastir in its former rooms.

3. Persons who were employed in the branches in Beli Manastir and Vukovar and worked under local administration have kept their jobs, being employees of RFMIORH as of 30 June 1997.

Employment contracts were signed on 16 July 1997 by 23 employees of the Vukovar regional service and 12 employees of the Beli Manastir branch who have accepted and met the conditions laid down in the Declaration and the Supplement to the Declaration of the Croatian Government.

The Regulations on the systematization of qualified jobs at RFMIORH from 1991 laid down that 6 persons should work in the Vukovar branch and 3 in the Beli Manastir branch; the branch in Ilok was not organized. From the total of 41 formerly employed persons, four persons did not have Croatian documents and were not taken over for that reason; two were employed after the adoption of the Croatian Government's Declaration and its Supplement and therefore could not be taken over.

The a nnual expenses for 35 employees have been assumed (gross wages, contributions etc.) amounting to kn 3,241,000.

4. According to the conclusion of the joint working group of 5 June 1997, the first task was to organize the payment of pensions to citizens who have fulfilled requirements for a pension under the regulations of the Republic of Croatia by 1991.

By 21 September 1997 payment has been organized for 11,198 beneficiaries in the Vukovar and Osijek regional services; 136 applications for payment are being processed, so that payment of pensions will be organized for the total of 11 334 beneficiaries. 1,550 applications received were forwarded to other RFMIORH regional services, depending on where the applicants have acquired the right to pension (Bjelovar, Gospić, Karlovac, Sisak, Sl. Brod, Zadar, Šibenik), so that the total number of pension beneficiaries will be 12,884.

Kn 193,834,306 will have to be provided for them annually.

Since January 1997 citizens who have acquired the right to a pension under Croatian regulations by 1991 and who have taken Croatian documents have been paid monthly pension advances in the amount of 500.00 kunas.

5. Citizens in the areas under temporary UNTAES administration, whose right to a pension was recognized by local authorities in the period 1991-1996 have filed a total of 2,109 pension applications by 21 September 1997.

These applications are not complete in accord with the regulations on old-age pension and disability insurance. For 820 applications, for which enough information was available to determine the approximate amount of pension, temporary decisions were made. For the rest of the applications information is being collected (on the years of service, wages etc., in accordance with the above Agreement). Disability pensions have been determined according to the findings and opinions based on defective medical documentation. Since these pensions have to be based on exactly prescribed medical documentation and criteria, the applications will be processed depending on that.

6. By 31 May 1997 the payment of pensions has been organized for 6,302 beneficiaries who had returned to the areas liberated following the Flash and Storm actions; for them kn 85,443,736 are allocated annually.

7. So far no legal entity from the Croatian Danube region has paid contributions for the old-age pension and disability insurance and children's allowance, except for the legal entities with their seat outside this area.

Employment

On the basis of the Joint Declaration on reintegrating regional employment offices under UNTAES administration into the Croatian employment system, signed on 11 September 1997, the following has been done.

1. No. of employees who have kept their jobs under employment contracts:

Office:	No. of employees taken over:
Osijek regional office - Vukovar branch	13
Vinkovci regional office - Vukovar branch	18
Total	31

For the wages of these 31 employees kn 117,000 are allocated monthly and kn 1,404,000 annually.

2. No. of unemployed and beneficiaries of unemployment allowance in the Croatian Danube region, state on 31 August 1997:

Regional office	**Branch**	**No. of unemployed**	**No. of persons who have the right to allowance****
Osijek	Beli Manastir*	2,874	43

/...

Vinkovci	Vukovar*	8,082	40
Total		**10,936**	**83**

Remarks: * data available to the Employment Office active in this area
** payment of allowances will begin on 15 October 1997

With the lowest allowance being kn 450, we estimate that for 83 persons having the right to allowance that at least kn 36,0000 monthly, and at least kn 432,000 annually will be provided.

Social welfare

On the basis of the Joint Declaration on reintegrating the social welfare system in the areas under UNTAES administration into the Croatian social welfare system, signed on 11 September 1997, the following has been done:

1. No. of employees at social welfare institutions in the Croatian Danube region taken-over, state on 31, August 1997:

Institution	No. of employment contracts offered	Signed
1. Vukovar Retirement Home (Šarengrad)	24	18
2. Vukovar Social Work Center	16	16
3. Beli Manastir Social Work Center	11	11
4. Beli Manastir Care Center for Elderly Persons	45	45
Total	**96**	**90**

2. Number of beneficiaries in retirement homes in the Danube Region on 31 August 1997.

Retirement home	No. of beneficiaries
Beli Manastir	195
Šarengrad	93
Total	**288**

3. Necessary funds

No.	Intended use	Funds necessary (in kunas) monthly	annually
1.	wages of 90 employees taken over	486,666.00	5,840,000.00
2.	materials and services (electricity, office supplies, telephone, information etc.)	70,666.00	848,000.00
3.	building maintenance and equipment	17,500.00	210,000.00
4.	food for beneficiaries	138,583.00	1,663,000.00
5.	financial expenses and other goods (payment transactions, representation)	833.00	10,000.00
Total		**714,248.00**	**8,571,000.00**

4. No. of one-time cash aid payments in social welfare centers in the Croatian Danube region, state on 31 August 1997

Social Welfare Center	No. of one-time cash payments
Vinkovci	15
Osijek	-
Vukovar	-
Županja	-
Total	15

We note that all persons in need of social welfare according to the Social Welfare Act will be covered by the regular social welfare system. Competent social welfare centers will grant them benefits for which they meet conditions required by law. In this way the population in need of social welfare will be efficiently protected.

The Ministry of Labor and Social Welfare, in cooperation with the International Federation of Red Cross and Red Crescent organizations and the Croatian Red Cross, is constructing a complex for the accommodation of elderly persons with 250 beds.

8. REINTEGRATION OF PUBLIC ENTERPRISES AND SYSTEMS

Croatian Railways

The Croatian Railways has formally taken over the control of all railroads in the Croatian Danube region. The traffic of goods and passengers is taking place on the following railroads: Vinkovci-Tavarnik and Osijek-Beli Manastir-Pecs (Hungary). The Vinkovci-Borovo-(Vukovar)-Erdut railroad is still being reconstructed. It is estimated that kn 64,200,000 will be needed for the

reconstruction of railroads in the Croatian Danube region.

The Croatian Railways have signed employment contracts with 312 employees from the Croatian Danube region; 60 of them are already working and the others are temporarily out of work.

Croatian Post and Telecommunications (HPT)

The postal and telecommunications system has been completely established in the Croatian Danube region, so that it functions fully according to the technical designs of HPT.

A great deal has been invested to enlarge the capacity of and modernize the telecommunications system in this area, so that it is now covered by the mobile telephone network CRONET. Contracts have been signed for the delivery of 101 automatic telephone exchanges with the total of 82,000 lines, which will be installed in the area. Preparations are being made for bringing the price of telephone services in line with the HPT tariff system, which should be applied as of 10 October 1997.

All employees of the former PTT Vukovar, 330 of them, have signed an employment contracts with HPT.

So far a total of kn 50,000,000 have been invested. An investment of the same amount is planned by the end of 1997. In 1998 it is planned to invest kn 300,000,000.00.

Out of 27 post offices in the Croatian Danube region, 23 have been opened.

Croatian radio and television and broadcasting programs

Since 5 March 1997, the transmitter at Belje has been broadcasting programs of the Croatian Radio and Television and negotiations on normalization of TV channels is underway. Reconstruction of Ilok transmitting facility has made possible broadcasting of all three Croatian Radio and Television channels.

Croatian Road Management

As a result of the reintegration of 813 km of roads of the Croatian Danube region into the system of Croatian roads, Croatian Roads have been participating in the construction of the border post Bajakovo, bridge Ljubalj, bridges in Lipovac, Apševci and Podgrade. Reconstruction of road signage and roadway has also been carried out.

Kn 14,000,000 have been spent for reconstruction and rehabilitation of roads and additional kn 41,000,000 have been allocated for 1998.

Nine employees from the Croatian Danube region signed work contracts.

Croatian Water Management

Since the inclusion of the water resources of the Croatian Danube region into the Croatian water management system, the following activities have been undertaken on the territory of the Croatian Danube region:

- work on water protection (for instance reconstruction of dams)

- programs for reconstruction of water supplies have been drawn up

Seventy-seven employees have started employment.

In total, kn 10,200,000 have been invested in water management on the territory of the Croatian Danube region.

Croatian Forest Management

On 1 July 1997, forest companies have been taken over on the territory of the Croatian Danube region.

The Croatian Forest Management signed 296 work contracts with employees employed in the said companies.

Croatian Power Industry

Following the signing of the Declaration on the reliable and safe supply of energy of the subsystem of the Croatian Danube region from the power system on the Republic of Croatia, on 17 June 1997, the process of reintegration of the local power services into the power system of the Croatian Power Industry has been accelerated.

From 15 July to 15 August 1997, the following has been done:

1. local power services have been completely integrated into the three organizational units of the Croatian Power Industry;

2. 236 employees have been re-employed from the local power services;

3. Croatian Power Industry has conducted negotiations on managing jobs in plants in Vukovar and Ilok, which have been taken over by the representatives of the Serb community;

4. Power facilities of the Croatian Danube region have been inspected;

5. Transmission line (Nijemci-Vukovar, Vukovar 1 - Vukovar 3, Valpovo-B. Manastir) has been repaired and power reductions are no longer required;

6. newly constructed transmitter lines are Opatovac-Šarengrad, Osijek-Bilje Nemetin-Dalj, Tenja-Osijek.

7. total investment in distribution plants in Osijek and Vinkovci, in order to connect the Croatian Danube region, amounts to kn 45,000,000;

8. five diesel power-plants have started operation, providing the required energy supply of this territory from the power system of the Croatian Power Industry. The total value of the equipment built in kn 76,000,000 and its relocation from Dalmatia to the Croatian Danube region cost kn 6,150,000. Fuel used so far on these diesel power plants is worth kn 3,600,000.

9. Baranja has been connected with the Croatian Power Industry by a double cable transmission line;

10. Approximately 10,000 meters have been supplied and installed;

11. Almost all consumers of power have been registered and read on the whole territory of the Croatian Danube region (so far 48,233 consumers have been registered and read from the total of estimated 55,000).

INA - Oil Industry

Within the framework of INA and its revitalization, so far 47 production oil-rigs and 2 water pressure holes have been repaired. This raised the production of oil to 380 tons per day and 32,000 m^3 (cubic meter) a day of oil gas.

Oil fields Đeletovci and Privlaka commenced operation in August 1996. The costs of reconstruction and revitalization amount to kn 28,883,400.00 to date.

By returning the oil fields into the INA system, 67 workers of Serb nationality have been admitted to work, of whom 65 are permanently employed.

By reintegration of petrol stations into the INA system, today, there are 15 petrol stations in the Croatian Danube region. INA invested kn 2.9 million into the reconstruction of these petrol stations. From 24 January to 31 August 1997, the petrol stations in the Croatian Danube region sold 4 million liters of petroleum products or 16,687 liters a day with lower prices than in the rest of the Republic of Croatia. 295 persons of Serb nationality signed work contracts, of which 77 have regular monthly salaries according to their working post, whereas the rest of them receive a monthly compensation in the amount of kn 421.

Vukovar Management for Safety Navigation and Ports

River navigation on the rivers Drava and Danube via Hungary have been enabled and the Vukovar port has been connected to the network of Croatian Railways. Due to a donation by the

Belgian Government, two derricks have been installed in the Vukovar port.

A bilateral protocol between the Republic of Croatia and the FRY on navigation on the Danube is being prepared. Investments for the purpose of enabling navigation on the rivers Drava and Danube and reconstruction of the Vukovar port in 1997, not including the donation of the Belgium Government, amount to kn 4,800,000. It is estimated that kn 44,300,000 shall be invested there.

Twenty-six employees of Serb nationality are being re-employed.

9. REINTEGRATION OF ECONOMY, CUSTOMS AND TAX SYSTEM

Economy

So far, 37 companies have been registered on the territory of the Croatian Danube region in the process of the reintegration of the former socially-owned companies which, according to the Company Act, have become the property of the Croatian Fund for Privatization. Thirty-six companies nominated 149 members of Supervisory Boards, including representatives of 36 employees of Serb nationality. Fifty-eight members of company management have been nominated, 18 of whom have Serb nationality. Apart from this first phase of reintegration and transformation, some companies started a second phase of privatization including estimation of value of companies and war damage. After the end of this phase, concrete steps for privatization will be undertaken.

Elaboration of analysis and studies for production reconstruction in Borovo p.l.c. and Vuteks p.l.c.,the biggest companies in Vukovar are being finalized. Starting of production will provide necessary work places for displaced persons and local population.

A study on establishing a free trade zone in Vukovar is also being prepared. Owing to the favorable conditions for investors, it will be an incentive for foreign investors and it will additionally speed up the economic rehabilitation of the territory.

During July, a trade registry in Vukovar-Sirmium and Osijek-Baranja counties started working. Equipment has been obtained and the staff has been trained (worth kn 100,000). Experts from the Ministry of Economy are permanently in contact with the people from the Croatian Danube region, offering them professional help and interpretation of the Trade Act and the relevant regulations. So far, 145 craftsmen have been registered with the trade registry.

The process of reintegration of agricultural cooperatives is also underway and it is presently being adjusted with the Cooperatives Act and the Company Act. Business adjustment of small and medium size companies with Croatian laws and marketing has been completed in more than 200 companies as well as the registration of trade and commerce shops. Trade companies have been registered also, supplying the whole market of the Croatian Danube region with Croatian products.

The autumn sowing - 1996

A total of 29,393 hectares of wheat was sown in the Croatian Danube region. The Governing Board for stock supplies carried out financing of the wheat by providing fuel, fertilizer and seeds worth kn 15,645,000.

The spring sowing - 1997

The plan for the spring sowing includes financing of corn, soya and sugarbeet and sunflower on 69,500 hectares worth kn 57,400,000.

The spring sowing is financed by the Governing Board for stock supplies for corn, whereas the sugar plant or oil plants are responsible for sugarbeet and oil seeds. A commodity loan for the spring sowing season provided as follows:

- corn on 18,750 hectares worth	15,000,0000.00
- sugarbeet on 800 hectares worth	960,000.00
- sunflower on 1,200 hectares worth	960,000.00
- soya on 700 hectares worth	560,000.00
TOTAL	kn 17,480,000.00

Harvest of early crops 1997

wheat purchased 90,841 tons	kn 99,925,000 (raised through commercial banks)
barley purchased 10,000 tons	kn 8,900,000 (purchased by Agrokor)
rape purchased 2,187 tons	kn 4,045,000 (purchased by Interagra and Zvijezda)

The total value purchased kn 128,870,000.00.

Autumn 1997 sowing

The program for autumn 1997 envisages the sowing of 36,000 hectares of wheat.

Through the Directorate for Commodity Stockpiles commodity credits for diesel fuel will be granted in the total amount of kn 7,510,320. Through credits of commercial banks kn 38,880,000 should be invested in the purchase of fertilizers and seeds. The total of kn 46,390,320 will be invested.

We note that out of the above amount, kn 2,887,900 have already been invested on the basis of mineral fertilizers and fuels taken over by PIK "Belje" and "Vupik" Vukovar.

The rest of the planned funds will be invested in October 1997.

Machinery

With the assistance of the Ministry of Agriculture and Economy the following has been purchased in early July 1997:

Belje combines,		
Đ. Đaković, 10 pcs, total value		kn 6,361,200
John Deere tractor 2 pcs, total value		kn 923,906
IPK "Osijek" combines,		
Đ. Đaković, 5 pcs, total value		kn 3,180,600
John Deere tractor 2 pcs, total value		kn 923,906
Subtotal		kn 11,389,612
Purchase plan:		
- Đ. Đaković combines (VUPIK)	10 pcs.	kn 6,361,200
- John Deere tractors	40 pcs.	kn 15,840,000
- Torpedo tractors	40 pcs.	kn 4,400,000
Subtotal		kn 26,601,200
Machinery total		kn 37,990,820

By the end of this year the total of kn 246,376,132 kunas will be invested, out of which an equivalent of kn 34,179,503 kunas are funds directly invested in the Croatian Danube region by state commodity stockpiles through commodity credits and financial means.

Within these activities, the following has been successfully reintegrated: plants protection inspection, agricultural inspection, veterinary and broader inspections. Veterinary surgeries and services have begun working, in which 84 persons of Serb ethnic origin are employed; 2 county inspectors are also of Serb ethnic origin.

Tourism

By implementing laws and regulations from this area, the Ministry of Tourism has organized the work of tourist inspection: a tourist inspector of the Ministry has taken over the control of tourist inspection in the Vukovar-Sirmium County. Tasks of tourist inspection are carried out in Vukovar and Vinkovci. The following can be concluded from the tourist inspector's report:

- in June, July and August 1997 tourist inspectors of the Vukovar-Sirmium County have inspected the situation in the peacefully reintegrated area between Nijemci-Donje Novo Selo-Predgrađe-Apševci-Lipovac and Cerići;

- by a visit to the said area the following number of hospitality facilities has been established: Nijemci (6), Donje Novo Selo (2) Predgrađe (2), Apševci (2), Lipovac (3) and Cerići (3);

- out of these 18 facilities, only 5 mobile catering units and one restaurant have a document showing that they meet minimum requirements;

- 100 catering facilities are open in the city of Vukovar at the moment and only about 50 in Dalj, Markušica and Tenja. All firms have buildings and sanitary facilities that are in bad condition.

During inspection, all owners of these catering facilities were interviewed and informed that they need to adapt to the Catering Law and regulations adopted on the basis of the law.

Within the framework of activities on integration of Baranja and the Croatian Danube region into the network of tourist boards, a tourist board of the Vukovar-Sirmium County was founded, with a seat at Vinkovci and a tourist board of the town of Beli Manastir with a temporary seat at Osijek. Establishment of the Draz tourist board (in Baranja) is underway, while preparations are concluded to establish tourist boards at Ilok and Erdut. Preparations are on course to produce promotional materials (brochures and posters), as well as setting INFO posts at the Knezevo-Udvar border-crossing.

A proposal was made for an integral program of activities to integrate this area into promotional activities and a network of tourist boards, to be materialized under the general terms of reintegration of this area and within this the potentialities of tourist development.

Utility management

The situation with the reintegration of utility management in the Croatian Danube Region is as follows:

The County of Osijek-Baranja

In the temporarily occupied area of the City of Osijek (Klisa and Sarvas) public utilities are managed by the Osijek Municipal Utility Authority or concessions are assigned to subcontractors. In this connection it should be pointed out that at Sarvas there are local waterworks whose maintenance and water quality control have been supervised by the municipal services.

Water is supplied to the municipality of Semeljci by the Dakovo Waterworks, whereas the refuse removal and maintenance of green areas is carried out by Junakovci Co. The provision of a gas supply to the area is underway. The town of Beli Manastir has a water supply system and a partially constructed waste disposal, whereas organized transport of refuse is carried out by the Komus Public Enterprise. In the municipality of Antunovac the Unikom Public Enterprise of Osijek is responsible for this.

The newly established units of local government in Tenja, Darda, Bilje, Ernestinovo, Erdut, Ceminac, Popovac, Petlovac, Knezevi, Vinogradi and Draz have not solved the problem of utility management. Mostly they are covered by local water mains and the establishment of their own

facilities to deal with them is underway.

The County of Vukovar-Sirmium

The Municipality of Vukovar passed a decision on taking over the municipal utility companies, namely the Vukovar Water Authority and Utility Management Co., appointing temporary managers to these companies to manage all affairs in the transitional period (by the time of adjustment their operation to current regulations in the Republic of Croatia).

In addition, the City Municipality has taken measures to found a company for heat energy supply earlier performed by the Technoapartment Co. Initial funds will have to be ensured for their operation.

According to the assessed financial requirements the above utility companies would require some kn 400,000 per month to operate properly.

The Vukovar Utility Co. employs a total of 229 employees, out of which 52 are Croats. The procedure is underway to reemploy employees.

Utility services in the area of the Vukovar City, however, are not paid for by the citizens.

The Municipality of Ilok founded a Utility Co. to manage utilities, especially portable water supply.

Customs

On 6 June 1997 an Agreement was signed on re-employing employees from the Croatian Danube region into the Croatian customs service. The Agreement was signed by 78 out of 139 employees.

During June 1997 Croatian insignia were placed at border crossings and official buildings. Equipment and buildings in customs offices were taken over and, since 30 June, the first Croatian documents were being applied in customs procedures. Containers were erected as provisional office facilities, and forwarding and shipping agents have started operating.

On July 14 1997 all requirements were met to discontinue the operation of transitional customs service and start operation by the regular Croatian customs service, (under the supervision of the transitional UNTAES Administrator and border observers). On the same day the Croatian flag was ceremonially raised on all border-crossings in the Croatian Danube region, and implementation of the Memorandum of Understanding commenced, together with a list of basic commodities to be imported from FRY under the customs tariff of 1%.

By late July a Joint Government and UNTAES Customs Committee started to work on the implementation of clauses 4, 12, and 13 of the Memorandum of Understanding. All the

commodities listed in the Annex to the Memorandum were classified under some 100 tariff items. Upon its signing by the Croatian Government and UNTAES, an invitation to tenderers will be announced and quotas distributed, to the effect that the implementation of tariffs is expected by early October 1997.

Tax system

Under an Agreement on Mutual Rights and Obligations, the Tax Authority of the Ministry of Finance co-opted 68 persons who signed the Agreement, out of the 86 earlier working for Public Auditing Service and Finance Police in the municipalities of Vukovar, Beli Manastir, Tenja, Dalj and Mirkovci. The employees who signed the Agreement were issued job contracts for civil servants as of 1 July 1997, since when all their rights and obligations to the Republic of Croatia have become effective.

The Minister of Finance and the UNTAES Civil Rights Administrator signed on 4 September 1997 a Joint Statement on the reintegration of the Tax Authorities, whereby all preconditions have been fulfilled to incorporate those employees into the operation of the Ministry of Finance Tax Authority.

The Tax Authority branches in the Croatian Danube region have been integrated into the computer network and therefore with the rest of Croatia, and the employees are trained in seminars and in direct communication with other Tax Authority officers.

A more effective operation of the Tax Authority will be feasible on the preparation of a Tax Payers Register in the Croatian Danube region and upon the issue of the Commercial Court's Certificates of Incorporation into the Register of Companies, and registration of natural persons with the competent county offices. Seminars are organized to familiarize legal and natural persons with Croatian legislation, and guidelines prepared for opening of business books.

10. HOUSING RECONSTRUCTION

Under the Agreement on standard operative procedures for the assessment of war damage and the reconstruction of towns and villages in the Croatian Danube region, a list was prepared with assessed damage in all 65 places, involving a total of 25,804 buildings classified according to damage/devastation degree. Reconstruction was started immediately on less damaged houses with a mandate of completing 4,000 homes by the end of the year and furnishing them so that people could move in. In parallel, a list of potential returnees was made, and their statements taken as to whether they wish to return or leave the Republic of Croatia, which provided a basis for preparations related to the reconstruction of these houses. By 19 September 1997, 180 requests for reconstruction of family homes were filed by persons resident in the Croatian Danube region.

During 1995/96, 325 family houses with a high-degree of damage (IV, V or VI degree) were reconstructed, and in 1997, 565 family houses. Families are currently moving back to those houses. At the same time apartments (1,956) are also being reconstructed in apartment houses.

out of which 1,499 by the Ministry of Development and Reconstruction and 457 by the European Community. Most of these apartments will be inhabitable by spring 1998.

Through the implementation of this program conditions will be created for the return of some 40,000 people over the next six months.

The budget funds invested in the reconstruction of houses in the Croatian Danube region in 1997 amount to kn 1 million.

To date, the reconstruction of schools the included renovation or construction of 28 buildings, while four churches were renovated or prepared for renovation. Funds required for the reconstruction and preparation of reconstruction of these churches in 1997 amount to kn 7.2 million.

11. REINTEGRATION OF CULTURAL HERITAGE

Within the Croatian Ministry of Culture programs for reintegration of heritage in the Croatian Danube region during the period from 1991 to 1997, as well as those proposed for this region in 1997 under the framework of the Government's Coordination for Peaceful Reintegration of Eastern Slavonia, Baranja and Western Srijem, in July 1996, an office was founded with the Ministry of Culture to supervise the restoration of cultural treasures of Vukovar.

In 1997 the Ministry of Culture resumed its implementation and financing of envisaged programs:

Assessment of war damage to cultural treasures

The Ministry of Culture expert teams acting as the State Commission for Assessment of War Damage to Cultural Treasures, in conjunction with UNTAES, started assessments in July. A comprehensive overview was made of the 88 treasures in the area of the Vukovar-Sirmium County and 94 treasures in the Osijek-Baranja County (for the area of Baranja).

Reconstruction of church treasures

At Lipovac, Apševci and Nijemci, Tovarnik, etc. war damage was assessed on all cultural treasures, whereas a survey of the existing condition of the churches in Tovarnik and Lipovac cost kn 95,000. An amount of kn 140,000 was earmarked by the Ministry of Culture for the renovation of parish churches at Nijemci and Lipovac.

Total kn 235,000

Renovation of the Vukovar City Library

Architectural survey and renovation started, financed by the Ministry of Culture, with the

equipment of the library. The complete program of its renovation will be presented on 15 October on the occasion of introducing the Croatian Book Month.

Total kn 1,500,000

Renovation of libraries at Ilok and Beli Manastir

The libraries at Ilok and Beli Manastir are renovated and newly equipped with the funds apportioned by the Ministry of Culture, amounting to kn 200,000.

Total kn 200,000

Purchase of books for libraries at Beli Manastir, Ilok and Vukovar

Sponsored by the Ministry of Culture with kn 320,000 value provided in 1997. A total of 700 titles were purchased from the Mosaic Publishers and 2,000 from The Croatian Cultural and Publishing Society for the Vukovar library, amounting to kn 200,000.

Total kn 520,000

The purchased books will be taken during the year from the Osijek City and University Library to the above libraries. The value of books purchased by the Ministry of Culture since 1991 amounts to kn 1,100,000.

Purchase of computers for museums and libraries

In 1997 the Ministry of Culture also financed purchase of computer hardware and software for museums and libraries at Ilok, Vukovar and Beli Manastir, totalling kn 100,000.

Total kn 100,000

Vukovar and Ilok museums programs, publications, exhibitions, conservation, acquisitions

In 1997 the Ministry of Culture allocated kn 300,000 for routine activities of the Ilok and Vukovar Museums in exile: the purchase of treasures, publications, exhibitions, art workshops, etc.

In July 1997 transportation was arranged for the preserved portion of the Rare Books Collection of the Vukovar Museum, a protected fund of movable treasures, from the State Archives and National Library to the conservationist workshops, where the books are being conserved with the aid from the Ministry of Culture amounting to kn 150,000.

Total kn 450,000

The Reconstruction and the Renovation of the Monuments of Culture in Vukovar and the Renovation of the Vukovar Eltz Castle

The Department for the protection of culture and natural heritage of the Ministry of Culture has prepared a project for the urgent renovation of the most damaged part of the roof of the Eltz Castle. The renovation of the Castle is under way and is financed by the Ministry of Culture which has set aside kn 450,000 for it. A similar project is being prepared for the renovation of the Franciscan Monastery and for St. Philip's and St. Jacob's Church in Vukovar.

Total: kn 450,000

New Permanent Exhibitions of Museums in the Croatian Danube River Area

Teams of experts of the Museum of the Town of Ilok will prepare and suggest the complete basis for the new permanent exhibition of this Museum, which is financed by the Ministry of Culture with the amount of kn 300,000.

Total: kn 350,000

During 1996 while being displaced, experts from the Town Museum of Vukovar completed the project. "Basis and Suggestions for Reconstruction of the Town Museum in Vukovar and of historical architecture of Vukovar;" containing the suggestions for new museum projects, the initial basis for elaboration of the museological projects. The beginning of work of the Town Museum in Vukovar is connected with the initial war damages estimation, the reconstruction of the buildings necessary for the start of the Museum's activities and the return of the Museum's exhibits.

Exhibition "From the Dove to Peace", UNESCO Palace, Paris, September 1997.

Through the exhibition From the Dove to Peace, which opened on the 3rd 1997, in UNESCO Palace in Paris, organized by the Ministry of Culture and by the Permanent Mission of the Republic of Croatia at UNESCO, the cultural heritage of the counties Vukovar-Sirmium and Osijek-Baranja, as well as the town-planning projects of the reconstruction of Vukovar, Ilok etc. were presented. A number of meetings concerning the course of the reintegration of the Croatian Danube Region were held during which the Minister of Culture discussed the issues with the Deputy General Director of UNESCO and with the Director of the Center for World Cultural Heritage of UNESCO. It was agreed that two fact-finding missions of experts for cultural and natural heritage of UNESCO would be sent to the Croatian Danube Region during this year. The active cooperation of UNESCO in the reconstruction of the cultural heritage was sought. The costs of the exhibition was financed by the Ministry of Culture in the amount of kn 250,000.

Total: kn 250,000

The Ministry of Culture is co-organizer of the art colonies Ernestinovo 97 and Baranja 97, which

will be, as well as the reconstruction of the Culture Center in Beli Manastir, financed by the same Ministry, in the amount of kn 100,000.

Total: kn 100,000

The problem concerning the already existing employees in the cultural institutions of the Croatian Danube region is being resolved on the different levels of the local self-government in accordance with the Letter of Intent and current regulations of the Government of the Republic of Croatia. The Bureau for the Protection of Cultural Monuments in Vukovar was founded as a Section of the Conservation Department of the Ministry of Culture in the Republic of Croatia. The Ministry of Culture has sent contracts of employment for 5 employees to the Section in Vukovar. It has been agreed that the Town Councils of Vukovar and Ilok, in cooperation with UNTAES, organize the protection of the cultural monuments from further devastation and thefts, in accordance with the international conventions signed by the Republic of Croatia. UNTAES and UNESCO, INTERPOL and others were informed on the thefts of 23 paintings, owned by the art gallery within the Museum of the Town of Ilok in May 1997. We were informed by UNTAES on the steps taken in order to trace the missing paintings.

The Ministry of Culture has on 18 September 1997 set aside the total amount of kn 4,155,000 for the projects of reconstruction and for functioning of the cultural institutions in the Croatian Danube region.

12. AGENCY FOR FACILITATING REAL ESTATE TRANSACTIONS

From its founding in April 1997, the Agency for Facilitating Real Estate Transactions has been helping in solving proprietary-legal issues on the territory of the Republic of Croatia, and priority is given to solving cases which are essential for the implementing of the two-way return of displaced persons, as well as for the solving of permanent housing problems of the real estate owners who are not in the position to accept return, and who have voluntarily and freely decided to sell their property in the Republic of Croatia. The complete process of facilitating real-estate transactions is under way in cooperation with the Government's Office for Displaced Persons and Refugees, and under the supervision and with participation of UNTAES and UNHCR. Apart from mediation in real-estate transactions, the Agency is authorized to purchase real-estate in its own name on behalf of the Government of the Republic of Croatia. An amount of kn 2,770,000 from the Croatian budget has been invested to cover the expenses of the Agency's activities.

The principles of the work of the Agency are not to work exclusively on the basis of payment and compensation of damages, but that its work must also have a humanitarian aspect, because the Agency acts only in cases when the owners have not been able to find a buyer on the market themselves. The basis of the transactions is conditioned by the situation on the real estate market and is agreed by the voluntarily contract on the basis of the official estimate of the Commission of the County's Tax Offices. In real estate transactions, the Agency is authorized to give loans to Croatian citizens, who wish to buy that real estate.

Up to the present, the Agency has received a total of 2,556 different requests for purchasing and/or sale of real estate, of which 110 cases have been resolved. The Agency has surveyed a total of 115 objects in order to assess their value.

13. DEMINING

From their organization up to now, in the Croatian Danube region the Demining Units have for the purpose of housing reconstruction, functioning of the public firms and UNTAES, cleared 8,364,183 square meters out of 760,000,000 square meters of territory; a total of 3,653 objects have been checked for safety. 170,273 cubic meters of debris have been removed, and 6,000 different land mines and explosive devices have been found and destroyed.

So far, the Demining Units in its engagement in the Croatian Danube region in the period from July 1996 until June 1997 has cost a total kn 81,506,673.

II. RETURN OF DISPLACED PERSONS

After the signing of the Agreement of the Team for Planning of the Return of Displaced Persons between UNTAES, UNHCR and the Croatian Government on April 23, 1997, the Croatian Government has rapidly established the procedure for the return of displaced persons to the Croatian Danube Region, and for the return of the members of Serb population from the Croatian Danube region, to their homes in other parts of the Republic of Croatia.

Return of Serbs from the Croatian Danube River Area

The six open branches of the Office for Displaced Persons and Refugees in the Croatian Danube region registered during the period between April 23 until September 15, 1997 a total of 12,080 families with 23,402 family members who had left other parts of the Republic of Croatia and were registered in the Croatian Danube region. Out of the above mentioned 12,080 families (23,402 members):

1. 5,770 families (12,281 members) made requests to return to their former places of residence in the Republic of Croatia.

2. 4,658 families (8,199 members) do not wish to return to their former places of residence in the Republic of Croatia and they have expressed their wish for sale or exchange of their properties.

3. 295 families (567 members) are undecided.

4. 1,357 families (2,355 members) have their present residence in FRY and/or in B&H and are registered in the Croatian Danube region.

By September 19, 1997, the following documents were issued:

1. 1,895 certificates of plans for return for 3,650 persons

2. on the basis of the certificates of plans for return to their houses or in order to join family members in other parts of the Republic of Croatia, 1,408 persons returned, including 1,001 persons who returned in 18 organized convoys to their return addresses.

3. among returnees, 800 persons were given the status of returnees.

The priority in the process of return has been given to returns to empty houses, to reuniting of families and return to homes of relatives until the reconstruction of the homes of returnees is finished. Since the signing of the Agreement at the end of April 1997, more than 6,000 persons returned from the Croatian Danube region to other parts of the Republic of Croatia without certificates of plan for return. Of this number, 4,111 registered with the Office and were issued documents giving them the status of returnees.

Return to the Croatian Danube Region

From the total number of 110,000 displaced persons and refugees who were driven out in 1991 from the Croatian Danube region, there are 80,785 displaced persons still accommodated in other parts of the Republic of Croatia.

The number consists of:

1. 1,379 families (3,933 members) who were given confirmation documents of plans for their returns on the basis of the reuniting with families and return to empty vacant houses and for the purpose of reconstruction of houses.

2. several hundred displaced persons returned to the Croatian Danube region with certificates of plans for return. Among this number, 270 persons were given the status of returnees.

3. over 1,500 have permanently returned to the Croatian Danube region (as per information provided by UNTAES).

All requests for returns were forwarded to UNTAES in order to check the vacancies of the housing objects. According to the replies received from UNTAES, 2,800 addresses have been checked, and return into 800 objects is possible, including some unoccupied objects, some partly occupied objects for reuniting of families, and most objects in need of further reconstruction.

On the basis of the data of the two-way returns, it follows that:

1. among those who wish to return from the Croatian Danube region to the other parts of the Republic of Croatia (12,281) more than half have already returned, i.e. about 7,500 persons.

2. among those who have requested to return to the Croatian Danube region, only 2%, i.e.about

1,500 people have returned.

In other words, it is clear that out of a total number of all the persons who have requested to return, more than 50 percent of Serbs, and only two percent of Croats, Hungarians and others, have returned.

Due to the efforts of the Croatian Government and due to intensification of reconstruction of lower categories of damaged objects in the Croatian Danube region (which UNTAES has made possible only recently), a greater number of displaced persons will be able to return to the Croatian Danube region.

CONCLUSION

The data provided about the activities of the Croatian Government, public enterprises and other institutions of the Republic of Croatia in the Croatian Danube region aimed at the implementation of the Letter of Intent of the Croatian Government for the peaceful reintegration of the Croatian Danube Region of 13 January 1997, and the implementation of the constitutional and legal system of the Republic of Croatia on the territories of Osijek-Baranja and Vukovar-Srijem counties, which are actually under the UNTAES administration, undoubtfully confirms, the following:

1. that in the latest months great efforts have been made resulting in great progress in the reintegration of the region into the legal and economic system of the Republic of Croatia. Problems are being constantly resolved as and when they arise, and they are not of the kind which would slow down the course of peaceful reintegration,

2. that the Croatian Government has achieved good results in the return of Serbs from the Croatian Danube region into other parts of Croatia, because one half of those who had submitted their demands for return have already returned without a serious incident, while at the same time a much smaller number of Croats returned to the Croatian Danube region,

3. that the Croatian Government has already invested almost kn 10,000,000,000 (US$ 1.7 billion) in the programs of rebuilding and revitalization of war-torn parts of Croatia, from the government budget and public enterprises, while the international aid for these programs was less than two percent of that amount, that is it has been almost non-existant.

The Croatian Government will continue with incentive measures for the economic development of the war-torn parts of the Croatian Danube region, in order to achieve as soon as possible the level of development of other parts of the country.

Everything done so far concerning the reintegration of the Croatian Danube region, represents a good precondition for the beginning of a more massive return of Croats, Hungarians and other displaced persons to their homes. To achieve that, the Croatian Government will, together with UNTAES, intensify efforts so that the expected return could take place in the following months.

Because of that, we believe that the process of return the of all executive authority from UNTAES to the Republic of Croatia must be accelerated in order to complete successfully the mandate of peacekeeping forces by 15 January 1998, at the latest.

The Government points out that under no circumstances and for no reasons will it accept the prolongation of the UN mandate, and it will continue to cooperate with the international community with the maximum of its efforts, in order to establish confidence and full reintegration of war-torn regions of the Republic of Croatia.

Table 1

Summary of the financial expenditure on the peaceful reintegration and the establishment of the constitutional and legal order of the Republic of Croatia in the Croatian Danube region

		invested in 1997 (in kunas)
1.	**Establishment of the state and local administration and self-administration**	
1.1.	Unrealized revenues based on the free issuing of documents (administrative taxes and other expenses)	11,416,511
1.2.	Additional informatics equipment for the organizations of the elections	194,708
1.3.	Expenses for the functioning of the Office for the temporary administration for the establishment of the Croatian authority in the Area of Eastern Slavonia and Baranja as well as for the needs of the work of UNTAES	41,500,000
2.	**Payment system**	
2.1.	Conversion of YUM into kunas	615,430
3.	**Reintegration of the internal affairs**	
3.1.	Transitional Police Forces Investment in the organization of work and equipment, as well as the buying of weapons (expenses for the employees not included)	89,320,000
4.	**Reintegration of the school system**	
4.1.	Reconstruction of schools	23,849,447
4.2.	Translation of textbooks to Serbian and cyrillic alphabet	1,300,000
5.	**Reintegration of health system and health insurance**	
5.1.	Expenses of medical treatment, medicaments and equipment	30,000,000
5.2.	Reconstruction of health institutions	

6.	**Reintegration of the pension and disabled insurance and welfare fund**	
6.1.	Expenses based on the rights of the pension and disabled insurance (salaries of the accepted employees of the Serbian nationality - not included)	139,639,021
6.2.	Remuneration on the bases of unemployment	72,000
6.3.	On the bases of welfare (salaries of the accepted employees of the Serbian nationality - not included)	1,137,910
7.	**Reintegration of public companies and systems**	
7.1.	INA - Oil industry	
7.1.1.	Expenses of the reconstruction and revitalization of 49 oil-productions and water-pressurized boreholes at the oil fields of Deletovci and Privlaka	28,883,400
7.1.2.	Expenses for the reintegration and reconstruction of 15 gas stations	2,900,000
7.2.	Croatian Electricity Company	
7.2.1.	Investment in the distributive operations	45,000,000
7.2.2.	Investment in the equipment and the expenses for the fuel of the 5 diesel electric power plants	85,750,000
7.3.	Croatian Post and Telecommunications	
7.3.1	Investment in the postal and telecommunications system	100,000,000
7.4.	Croatian Radio-Television and program emission	
7.4.1.	Reconstruction of the convertors and other expenses	10,440,000
7.5.	Croatian Administration for roads	
7.5.1.	Reconstruction and improvement of conditions of the roads	14,000,000
7.6.	Croatian Railways	
7.6.1.	Investment in the reconstruction of the railway-tracks	64,200,000
7.7.	Investments for the enabling of the river traffic on the rivers Drava and Danube as well as the reconstruction of the harbor of Vukovar	4,800,000
7.8.	Croatian Waters	10,200,000
7.9.	Croatian Forests	2,350,000

8.	**Reintegration of economy, customs and tax systems**	
8.1.	Economy	
8.1.1.	Investment in the agriculture production for the sowing and harvest during 1996 and 1997 as well as for the agriculture mechanization	246,376,132
8.1.2.	Expenses for the registrations of small businesses	100,000
9.	**Reconstruction**	
9.1.	Reconstruction of housing	980,000,000
9.2.	Reconstruction of churches	7,245,000
10.	**Reintegration of culture**	
10.1.	Reconstruction of sacral monuments and reconstruction and equipping of libraries, museums, exhibition expenses, restoration of pieces of arts and reconstruction of the cultural monuments	4,155,000
11.	**Expenses of the work of the Government Real Estate Agency**	**2,770,000**
12.	**De-mining**	
12.1.	Expenses of de-mining during 1996 and 1997	81,506,673
13.	**Salaries of the employees**	
13.1.	Salaries of the employees in state and local administration and self-administration	8,230,000
13.2.	Salaries of the employees in the Transitional Police Forces	32,100,000
13.3.	Salaries of the judicial officials, civil servants and employees	3,485,351
13.4.	Salaries of the employees in the pension and disabled insurance services	1,625,500
13.5.	Salaries of the employees in the services for the employment	468,000
13.6.	Salaries of the employees in the centers for welfare	2,433,330
Total		**2,078,063,413**

Table 2

Compiled data on the numbers of employees of Serb nationality in State administration and public companies in the region

1.	Administration	112
2.	Transitional police forces	982
3.	Justice	167
4.	School system	1,353
5.	Health	386
6.	Pension and disabled insurance	35
7.	Employment system	31
8.	Welfare	90
9.	Public enterprises and other systems	
	- Croatian Railways - contracts signed with	312
	- Croatian Post and Telecommunications - contracts signed with	330
	- Croatian Administration for Roads	9
	- Croatian Waters	77
	- Croatian Forests	296
	- Croatian Electric Company	236
	- INA Oil Industry	360
	- enabling of water traffic flow and ports and in the Vukovar harbor	26
10.	Veterinary Inspection	86
11.	Customs Administration	78
12.	Tax Administration	68
13.	Culture	5
Total -	**without the employees of large economic enterprises in which the restructuring is currently under way ("Belje", "Borovo", "Vupik" and others)**	**5,039**